

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  CAPITAL INFRASTRUCTURE INVESTMENTS AND COST OF CAPITAL CHANGES [199 IAC 7.4(6) AND 7.4(11)]	DOCKET NO. RMU-03-14
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**ORDER COMMENCING RULE MAKING**

(Issued September 26, 2003)

Pursuant to Iowa Code §§ 17A.4, 476.1, 476.2, 476.3, 476.6, 476.33, and Acts of the General Assembly, Senate File 458, section 134, the Utilities Board (Board) is commencing a rule making in Docket No. RMU-03-14, Capital Infrastructure Investments And Cost of Capital Changes [199 IAC 7.4(6)"g" and 7.11(2)]. Senate File 458 amended Iowa Code § 476.33 by adding a new subsection as follows:

5. a. The board shall adopt rules that require the board, in a rate regulatory proceeding under sections 476.3 and 476.6, to consider both of the following for inclusion in rates:

(1) Capital infrastructure investments that will not produce significant additional revenues and will be in service in Iowa within nine months after the conclusion of the test year.

(2) Cost of capital changes that will occur within nine months after the conclusion of the test year that are associated with a new generating plant that has been the subject of a ratemaking principles proceeding pursuant to 476.53.

b. This subsection is repealed effective July 1, 2007. However, any utilities board proceeding that is pending on July 1, 2007, that is being conducted pursuant to section 476.3 or 476.6 shall be completed as if this section had not

been repealed. Upon repeal, the board may still consider the adjustments addressed in this subsection, but shall not be required to consider them.

The Board is proposing to include the requirements of the new subsection 476.33(5) by amendments to 199 IAC 7.4(6)"g" and 7.11(2), which relate to the presentation of evidence in a general rate proceeding. Comments addressing the proposed amendments should include a discussion of the effect of the proposed amendments on interim rates under Iowa Code § 476.6(13).

**IT IS THEREFORE ORDERED:**

1. A rule making proceeding identified as Docket No. RMU-03-14 is commenced for the purpose of receiving comments on the proposed rules in the notice attached hereto and incorporated herein by reference in this order.

2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 26<sup>th</sup> day of September, 2003.

## **UTILITIES DIVISION [199]**

### **Notice of Intended Action**

Pursuant to Iowa Code sections 17A.4, 476.1, 476.2, 476.3, 476.6, 476.33, and Acts of the General Assembly, 2003 Session, Senate File 458, section 134, the Utilities Board (Board) on September 26, 2003, issued an order commencing a rule making, Docket No. RMU-03-14, Capital Infrastructure Investments And Cost Of Capital Changes [199 IAC 7.4(6)"g" and 7.11(2)] "Order Commencing Rule Making" to comply with the mandate in Senate File 458, section 134. These proposed amendments would require the Board to consider capital infrastructure costs and cost of capital changes that occur within nine months of the test year in a general rate proceeding under Iowa Code sections 476.3 and 476.6. The "Order Commencing Rule Making" can be found on the Board's Web site, [www.state.ia.us/iub](http://www.state.ia.us/iub).

Pursuant to Iowa Code section 17A.4(1)"a" and "b," any interested person may file a written statement of position pertaining to the proposed amendments. Persons filing comments are requested to address the effect the proposed amendments may have on temporary rate authority under Iowa Code section 476.6(13). The statement must be filed on or before November 4, 2003, by filing an original and ten copies in a form substantially complying with 199 IAC 2.2(2). All written statements should clearly state the author's name and address and should make specific

reference to this docket. All communications should be directed to the Executive Secretary, Iowa Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

An oral presentation is not scheduled at this time. Pursuant to Iowa Code section 17A.4(1)"b," an oral presentation may be requested or the Board on its own motion after reviewing the comments may determine that an oral presentation should be scheduled.

These amendments are intended to implement Iowa Code sections 17A.4, 476.1, 476, 476.2, 476.3, 476.6, 476.33, and Acts of the General Assembly, 2003 Session, Senate File 358, section 134.

The following amendments are proposed.

Item 1. Amend paragraph **7.4(6)"g"** as follows:

g. Additional evidence. The applicant may submit any other testimony, schedules, exhibits, and data which it deems pertinent to the application including:-

(1) Testimony, schedules, exhibits, and data concerning the cost of capital infrastructure investments that will not produce significant revenues and will be in service in Iowa within nine months of the test year.

(2) Testimony, schedules, exhibits, and data concerning cost of capital changes that will occur within nine months after the conclusion of the test year that are associated with a new generating plant that has been the subject of a ratemaking principles proceeding pursuant to section 476.53.

(3) The utility shall specifically identify and support the information, including providing an estimate at the time of filing and addressing prudence issues, regarding

the changes that will be verifiable prior to the closing of the record at the hearing in the proceedings.

(4) A utility electing to file additional evidence under this paragraph shall in the reports required in subparagraph 7.4(6)"e"(1) include any capital infrastructure investments that will not produce significant revenues and have been placed in service in Iowa, or capital issuances that have been completed that are associated with a new generating plant that has been the subject of a ratemaking principles proceeding pursuant to Iowa Code section 476.53.

(5) A utility electing to file additional evidence under this paragraph shall provide additional schedules as required by subparagraphs 7.4(6)"e"(13), (14), and (15) related to capital issuances that have been completed that are associated with a new generating plant that has been the subject of a ratemaking principles proceeding pursuant to Iowa Code section 476.53.

(6) Subparagraphs 7.4(6)"g"(1), (2), (3), (4), and (5) are repealed effective July 1, 2007. However, any proceeding that is pending on July 1, 2007, that is being conducted pursuant to section 476.3 or 476.6 shall be completed as if this section had not been repealed. Upon repeal, the board may still consider the adjustments addressed in this subsection, but shall not be required to consider them.

Item 2. Amend subrule **7.11(2)** as follows:

(2) Known and measurable changes. In rate regulatory proceedings under Iowa Code sections 476.3 and 476.6, the board shall consider:

a. Verifiable data, existing as of the date of commencement of the proceedings, respecting known and measurable changes in costs not associated with a different

level of costs, that are to occur within 12 months after the date of commencement of the proceedings.

b. Data which becomes verifiable prior to the closing of the record at the hearing respecting known and measurable:

(1) Capital infrastructure investments that will not produce significant additional revenues and will be in service in Iowa within nine months after the conclusion of the test year.

(2) Cost of capital changes that will occur within nine months after the conclusion of the test year that are associated with a new generating plant that has been the subject of a ratemaking principles proceeding pursuant to 476.53.

Paragraph 7.11(2)"b" is repealed effective July 1, 2007. However, any proceeding that is pending on July 1, 2007, that is being conducted pursuant to section 476.3 or 476.6 shall be completed as if this section had not been repealed. Upon repeal, the board may still consider the adjustments addressed in this subsection, but shall not be required to consider them.

September 26, 2003

/s/ Diane Munns

Diane Munns  
Chairman